

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

BECKSON MARINE, INC., a Connecticut
corporation; CAROLE A. BECKERER,
ELOISE BRADY and JOAN A. JONES,
Custodians,

Plaintiffs,

v.

NFM, INC., a Washington corporation,

Defendant.

Case No. C98 5531 FDB

ORDER ON SUMMARY JUDGMENT
FOR DAMAGES

This matter comes before the Court on Plaintiffs' motion for summary judgment on damages. The Court, having reviewed all materials submitted by the parties and relied upon for authority, is fully informed and hereby finds Plaintiffs are entitled to summary judgement on the award of damages, together with prejudgment and postjudgment interest. Plaintiff has not established entitlement to an award of enhanced damages or attorney fees.

INTRODUCTION AND BACKGROUND

This patent infringement claim has been remanded to this Court by the Federal Circuit Court of Appeals for a determination of damages. The Plaintiff Beckson Marine and the infringer,

1 Defendant NFM, INC., were the two sole market suppliers of the patented '350 portlights.
2 Defendant's infringing sales began in 1995 and lasted through the life of the '350 patent. The
3 infringer's sales of the '350 portlights during this period totaled \$786,280.16. NFM's cost equaled
4 50% of the sales price, leaving a profit margin of 50% of sales, \$393,140.06. Beckson Marine's
5 profit margins were substantially the same as those reported by the infringer and Beckson's sales
6 remained steady during the infringement.

7 NFM continues to argue that it did not infringe on the '350 patent. NFM nonetheless states
8 that its total profit from 1995 through 1998 was \$45,598.

9 STANDARDS FOR SUMMARY JUDGMENT

10 The purpose of summary judgment is to identify and dispose of factually unsupported claims
11 and defenses. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). On a motion for summary
12 judgment, the court is constrained to draw all inferences from the admissible evidence in the light
13 most favorable to the non-moving party. Addisu v. Fred Meyer, Inc., 198 F.3d 1130, 1134 (9th Cir.
14 2000). Summary judgment is appropriate where there is no genuine issue of material fact and the
15 moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The moving party
16 bears the initial burden to demonstrate the absence of a genuine issue of material fact. Celotex Corp.
17 v. Catrett, 477 U.S. 317, 323 (1986). Once the moving party has met its burden, the opposing party
18 must show that there is a genuine issue of fact for trial. Matsushita Elect. Indus. Co. v. Zenith Radio
19 Corp., 475 U.S. 574, 586-87 (1986). A dispute as to a material fact is "genuine" if there is sufficient
20 evidence for a reasonable jury to return a verdict for the nonmoving party. Anderson v. Liberty
21 Lobby, Inc., 477 U.S. 242, 248 (1986). The opposing party must present significant and probative
22 evidence to support its claim or defense. Intel Corp. v. Hartford Accident & Indem. Co., 952 F.2d
23 1551, 1558 (9th Cir. 1991). Affidavits made on personal knowledge and setting forth facts as would
24 be admissible at trial are evidence that a court may consider when determining whether a material
25 issue of fact exists. Fed. R. Civ. P. 56(e). Legal memoranda and oral argument are not evidence and

do not create issues of fact. See British Airways Bd. v. Boeing Co., 585 F.2d 946, 952 (9th Cir. 1978). Nor will uncorroborated allegations and “self-serving testimony” create a genuine issue of material fact. Villiarimo v. Aloha Island Air, Inc., 281 F.3d 1054, 1061 (9th Cir. 2002); T.W. Elec. Serv. v. Pac. Elec. Contractors Ass’n, 809 F.2d 626, 630 (9th Cir.1987). The nonmoving party must instead set forth “significant probative evidence” in support. T.W. Elec. Serv., at 630. Summary judgment will thus be granted against a party who fails to demonstrate facts sufficient to establish an element essential to his case when that party will ultimately bear the burden of proof at trial.

LOST PROFITS AS APPROPRIATE DAMAGES

The measure of damages for patent infringement is specified by statute. 35 U.S.C. § 284 provides in part that “[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.” The amount of a prevailing party's damages is a finding of fact on which the patent owner bears the burden of proof by a preponderance of the evidence. Hunter v. Aispuro, 976 F.2d 1558, 1577, (9th Cir. 1992). The measure of a patentee's monetary award is damages adequate to compensate him for the infringement, that is, for the patentee's lost profits, but in no event less than a reasonable or established royalty. Armco, Inc. v. Republic Steel Corp., 707 F.2d 886, 891 (6th Cir. 1983).

To recover any damages under the lost profits approach the patent owner must prove two things: (1) causation, that the patent owner would have made the sale of the product but for the infringement; and (2) proper evidence of the computation on the loss of profits. BIC Leisure Products, Inc. v. Windsurfing Intern., Inc., 1 F.3d 1214, 1218 (Fed. Cir. 1993); King Instrument Corp. v. Otari Corp., 767 F.2d 853, 863 (Fed. Cir. 1985). The critical inquiry in determining whether to award profits lost by the patent owner is whether the patent owner has shown a reasonable probability that he would have made the infringing sales that the infringer made. Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp., 739 F.2d 604, 616 (Fed. Cir. 1984). Lost profits

1 may be in the form of diverted sales. Lam, Inc. v. Johns-Manville Corp., 718 F.2d 1056, 1064–65
2 (Fed. Cir. 1983). Where the patent owner and the infringer were the only suppliers of the patented
3 product, it is reasonable to infer that the patent owner would have made the sales that were made by
4 the infringer. State Industries, Inc. v. Mor-Flo Industries, Inc., 883 F.2d 1573 (Fed. Cir. 1989);
5 Crucible, Inc. v. Stora Kopparbergs Bergslags AB, 701 F. Supp. 1157, 1166 (W.D. Pa. 1988);
6 Amstar Corp. v. Envirotech Corp., 823 F.2d 1538, 1543 (Fed. Cir. 1987).

7 Beckson Marine has established a causal relationship between the infringement by NFM and
8 its loss of profits. Beckson Marine and NFM were the sole suppliers of the patented product and it
9 is reasonable to infer that Beckson would have made the sales that were diverted to NFM by its
10 infringement of the patent.

11 The measure of lost profits is the difference between the patent owner's cost of production
12 and the price at which the patent owner would have sold the product. A patent owner can compute
13 his lost profits directly, through his anticipated profit margin, or indirectly, through use of the
14 infringer's profit margin. The infringer's profits may properly be considered, for comparison
15 purposes with the patent owner's proof of his lost profits, in estimating the patent owner's damages.
16 Kori Corp. v. Wilco Marsh Buggies and Draglines, Inc., 761 F.2d 649, 655 (Fed. Cir. 1985); Ortloff
17 Corp. v. Gulsby Engineering, Inc., 884 F.2d 1399 (Fed. Cir. 1989). See also Golight, Inc., v. Wal-
18 mart Stores, Inc. 355 F.3d 1327, 1338 (Fed. Cir. 2004); Rite-Hite Corp. V. Kelly Co., 56 Fed. Cir.
19 1995).

20 If actual damages in patent infringement action can not be ascertained with precision because
21 evidence available from infringer is inadequate, damages may be estimated on best available evidence,
22 taking cognizance of reason for inadequacy of proof and resolving doubt against infringer. Sensonics,
23 Inc. v. Aerosonic Corp., 81 F.3d 1566, 1572 (Fed. Cir. 1996); Lam, Inc. v. Johns-Manville Corp.,
24 718 F.2d 1056, 1064–65 (Fed. Cir. 1983).

25 Beckson Marine has established that the proper measure of damages is the lost profits of

1 Beckson, which equates to the profits of the infringer. Here, where the patentee can establish that he
2 would have made the sales of the patented products, but for the fact that the infringer made them, the
3 infringer's profits were properly looked at for comparison purposes with the patentee's proof of his
4 lost profits. See Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc., 761 F.2d 649, 654 (Fed. Cir.
5 1985). The NFM's sales of the '350 portlights during the life of the patent totaled \$786,280.16.
6 NFM's profit margin was 50% of sales, or \$393,140.06. Beckson Marine's profit margins were
7 substantially the same as those reported NFM. Therefore, a reasonable calculation of damages is
8 \$393,140.06.

9 AWARD OF PREJUDGEMENT INTEREST

10 The statutory provision governing damages provides: "[u]pon finding for the claimant the
11 court shall award the claimant damages ..., together with interest and costs as fixed by the court."
12 35 U.S.C. § 284. Prejudgment interest should ordinarily be awarded. In the typical case an award of
13 prejudgment interest is necessary to ensure that the patent owner is placed in as good a position as he
14 would have been in had the infringer entered into a reasonable royalty agreement. An award of
15 interest from the time that the royalty payments would have been received merely serves to make the
16 patent owner whole, since his damages consist not only of the value of the royalty payments but also
17 of the foregone use of the money between the time of infringement and the date of the judgment.
18 General Motors Corp. v. Devex Corp., 461 U.S. 648, 655-56 (1983). Prejudgment interest should be
19 awarded under § 284 absent some justification for withholding such an award. Id. Prejudgment
20 interest applies whether damages are based on lost profits or on a reasonable royalty.

21 Prejudgment interest runs from the date of infringement to the date of judgment. Nickson
22 Industries, Inc. V. Rol Mfg. Co., Ltd., 847 F.2d 795, 800 (Fed. Cir. 1988). Prejudgment interest
23 applies only to the primary or actual damages portion of an award and not to punitive or enhanced
24 damages. Beatrice Foods Co. v. New England Printing and Lithographing Co., 923 F.2d 1576 (Fed.
25 Cir. 1991); Underwater Devices Inc. v. Morrison-Knudsen Co., Inc., 717 F.2d 1380, 1389-90 (Fed.

1 Cir. 1983).

2 The statutory rate or commercial prime rate is an appropriate prejudgment interest rate. Lam,
3 Inc. v. Johns-Manville Corp., 718 F.2d 1056, 1066 (Fed. Cir. 1983). The current prime rate of
4 interest is 7.5%. Beckson's damage award of \$393,140.06. is subject to a prejudgment interest rate
5 of 7.5% compounded annually.

6 EXEMPLARY DAMAGES

7 Plaintiff Beckson Marine seeks an award of treble damages. 35 U.S.C. §284 provides that
8 "[w]hen the damages are not found by a jury, the court shall assess them. In either event the court
9 may increase the damages up to three times the amount found or assessed." A patent owner is
10 entitled to enhanced damages, up to and including three times the actual damages, where the infringer
11 has knowingly, deliberately, intentionally, willfully, or wantonly infringed the patent. American Safety
12 Table Co. v. Schreiber, 415 F.2d 373, 378 (2nd Cir. 1969). Enhanced damages may be awarded only
13 as a penalty for an infringer's increased culpability, namely, willful infringement or bad faith. Amsted
14 Industries Inc. v. Buckeye Steel Castings Co., 24 F.3d 178 (Fed. Cir. 1994).

15 Damages may not be enhanced beyond a patent owner's actual lost profits or a reasonable
16 royalty absent clear and convincing proof of willfulness and exceptionality. A finding of willful
17 infringement authorizes, but does not mandate an award of enhanced damages. State Industries, Inc.
18 v. Mor-Flo Industries, Inc., 948 F.2d 1573, 1576 (Fed. Cir. 1991); Modine Mfg. Co. v. Allen Group,
19 Inc., 917 F.2d 538, 542–43 (Fed. Cir. 1990).

20 A number of factors may be considered in determining whether to award enhanced damages.
21 These include (1) whether the infringement was willful or deliberate; (2) whether the infringer had a
22 good faith belief that the patent was invalid; and (3) the party's conduct of the litigation. In re Hayes
23 Microcomputer Products, Inc. Patent Litigation, 982 F.2d 1527, 1543 (Fed. Cir. 1992); Amsted
24 Industries Inc. v. Buckeye Steel Castings Co., 24 F.3d 178 (Fed. Cir. 1994). The paramount
25 determination in deciding to grant enhancement of damages and the amount thereof is the

egregiousness of the defendant's conduct, based on all the facts and circumstances.

The Court finds that there is a lack of clear and convincing proof of willfulness and/or bad faith in NFM's infringement of the "350 patent. Plaintiff is not entitled to enhanced damages.

ATTORNEY FEES

Plaintiff also seeks an award of attorney fees. Generally, patent suits are governed by the same rules which govern other federal litigation; each party bears its own expenses. Refac Intern., Inc. v. IBM Corp., 710 F. Supp. 569 (D. N.J. 1989). Thus a successful patent owner's expenses in litigating an infringement action are not recoverable as general damages. Union Carbide Corp. v. Graver Tank & Mfg. Co., (7th Cir. 1960). The narrow exception to the rule is found in 35 U.S.C. §285, wherein it states: "The court in exceptional cases may award reasonable attorney's fees to the prevailing party." To warrant an award of fees under § 285, a case must be "exceptional." Whether a case is "exceptional" requires examination of the losing party's conduct during both pretrial and trial stages of litigation. Attorney fees will not be awarded under 35 U.S.C.A. § 285 except to prevent gross injustice and where fraud and wrong-doing are clearly proved. Maurice A. Garbell, Inc. v. Boeing Co., 546 F.2d 297 (9th Cir. 1976).

The Court finds Plaintiff not entitled to an award of attorney fees. The conduct of NFM in defending this action does not amount to an exceptional case.

CONCLUSION

For the above stated reasons, Plaintiff is entitled to summary judgment on the remaining issue of damages.

ACCORDINGLY,

IT IS ORDERED:

Plaintiff's Motion for Summary Judgment is granted, as follows:

(1) Plaintiff is awarded \$393,140.06. in damages for lost profits;

(2) The award of \$393,140.06 is subject to prejudgment interest of 7.5% compounded

1 annually;

2 (3) Plaintiff's request for an enhanced award and attorney's fees is denied.

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4 DATED this 27th day of March, 2007.

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8 FRANKLIN D. BURGESS
9 UNITED STATES DISTRICT JUDGE
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